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DEPARTMENT OF TAXATION

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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2552, S.D.1, Relating to the Individual Housing Account Program

BEFORE THE:

Senate Committee on Ways and Means

DATE: Tuesday, March 3, 2026

TIME: 10:17 a.m.

LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2552, S.D.1, for your consideration.

Section 2 of S.B. 2552, S.D.1, amends section 235-5.5, Hawaii Revised Statutes (HRS), to increase the allowable annual deductions for contributions to an individual housing account (IHA) for the purchase of a first principal residence. The measure increases the amount a taxpayer may deduct, which is equal to the amount that may be contributed to an IHA, from \$5,000 to \$17,200 for individuals and from \$10,000 to \$34,400 for joint filers.

In addition, the bill increases from \$25,000 to \$86,000, the total allowable deductions per individual taxpayer and total allowable contributions that may be made to an IHA across all taxable years.

The bill also repeals the outdated portions of subsections of 235-5.5(f), HRS, applicable to first-time home purchases made prior to January 1, 1990, by persons with an IHA.

The measure has a defective effective date of July 1, 2050, and applies to taxable years beginning after December 31, 2026.

DOTAX can implement the changes in this bill for taxable years beginning after December 31, 2026.

Thank you for the opportunity to provide comments on this measure.



‘Ōlelo Hō‘ike ‘Aha Kau Kānāwai

TESTIMONY IN SUPPORT OF

SENATE BILL 2552 SD1

RELATING TO THE INDIVIDUAL HOUSING
ACCOUNT PROGRAM

Ke Kōmike ‘Aha Kenekoa o ke Ki‘ina Hana a me nā Kumuwaiwai
(Senate Committee on Ways and Means)

Ke Kapitala ‘o Hawai‘i
(Hawai‘i State Capitol)

Malaki 3, 2026

10:17 a.m.

Lumi 211

Aloha Chair Donovan, Vice Chair Moriwaki, and Members of the Committee on Ways and Means:

The Office of Hawaiian Affairs (OHA) **SUPPORTS SB2552 SD1**, which updates Hawai‘i’s Individual Housing Account (IHA) program by increasing the maximum annual deduction and lifetime contribution limits to better reflect current housing prices and down-payment realities.

OHA has long supported policies that promote economic self-sufficiency, asset-building, and housing security for Native Hawaiians and other Hawai‘i residents, and specifically supported IHA’s as a tool for stability¹. One of the most persistent barriers to homeownership in Hawai‘i is not the ability to make a monthly mortgage payment, but the ability to accumulate sufficient savings for a down payment and closing costs in a rapidly appreciating housing market. Individual housing accounts are a proven tool for addressing this barrier.

The Legislature originally established the IHA program to encourage purpose-driven saving for first-time homeownership, while including safeguards to ensure funds are used for owner-occupied housing in Hawai‘i. However, the contributions limits currently used were set decades ago and no longer reflect today’s housing costs. As a result, the IHA

¹ In 2018, OHA introduced HB1746/SB2135 (2018) as part of the agency’s [legislative package](#). If passed, these measures would have also updated IHA deductions.

statute has lost much of its practical effectiveness for families attempting to save for their first home. As amended, this measure updates the IHA deduction framework by establishing clear, capped limits on deductible contributions that are relative to current home prices, while preserving existing guardrails. The bill continues to maintain penalties and tax recapture for misuse and requires oversight before distributions are made. These features ensure that the tax benefit supports stable, owner-occupied housing rather than speculation.

Importantly, the IHA deduction allows participating households to reduce their state income tax liability while saving, which can help families maintain eligibility for other income-based tax credits and assistance programs as they work toward homeownership. This is particularly important for Native Hawaiian and working families who are striving to improve their financial stability without jeopardizing access to essential supports.

OHA acknowledges that expanding tax deductions may result in some reduction in general fund income tax revenues. However, any fiscal impact is likely to be limited and highly targeted. Participation in individual housing accounts requires sustained saving over time, and deducted funds are deposited into regulated monitored accounts that are ultimately reinvested directly into Hawai‘i’s local housing market. Funds withdrawn for non-housing purposes remain subject to tax recapture and penalties, ensuring the program functions as intended. This measure has long-term public benefits including increased housing stability, reduced displacement of local families, and improved opportunities for intergenerational wealth building. Updating the IHA program is a cost-effective way to strengthen Hawai‘i’s middle class and support pathways to homeownership without relying solely on new construction or large capital expenditures.

For these reasons, the Office of Hawaiian urges the Committee to **PASS** this bill.

Mahalo nui for the opportunity to testify.



Mortgage Bankers Association of Hawaii
P.O. Box 4129, Honolulu, Hawaii 96812

February 27, 2026

The Honorable Donovan M. Dela Cruz, Chair
The Honorable Sharon Y. Moriwaki, Vice Chair
Members of the Senate Committee on Ways and Means

Hearing Date: March 3, 2026
Hearing Time: 10:17 am
Hearing Place: Hawaii State Capitol, Conference Room 211

Re: SB2552 SD1 Individual Housing Accounts

I am Victor Brock, representing the Mortgage Bankers Association of Hawaii ("MBAH"). The MBAH is a voluntary organization of individuals involved in the real estate lending industry in Hawaii. Our membership consists of employees of banks, savings institutions, mortgage bankers, mortgage brokers, financial institutions, and companies whose business depends upon the ongoing health of the financial services industry of Hawaii. The members of the MBAH originate and service, or support the origination and servicing, of the vast majority of residential and commercial real estate mortgage loans in Hawaii. When, and if, the MBAH testifies on legislation or rules, it is related only to mortgage lending and servicing.

The MBAH supports an increase to the maximum allowable tax-deductible contribution amount on both a per-annum and total basis as proposed in SB2552 SD1. We support the higher amounts proposed in HB1756, prior to amendments.

To further encourage participation and use of the Individual Housing Account, the legislature might also consider removal of the additional ten per cent tax penalty if the property is sold before the 10-year anniversary. Many homebuyers may anticipate retaining a property for 10 years at time of purchase, but life events may happen that lead to earlier sale. Even if the property is sold before the 10-year anniversary, the full amount of the distribution will be taxed. This additional penalty is purely punitive and may discourage participation altogether. Accordingly, the following section would be deleted from Section 235-5.5 HRS as shown on row 11, page 8 of the 12 page pdf version of SB2552 SD1: "and in addition, the tax liability of the individual shall be increased by an amount equal to ten per cent of the total distribution from the individual housing account."

Thank you for the opportunity to present this testimony and for your consideration.

Victor Brock
Mortgage Bankers Association of Hawaii

March 3, 2026

The Honorable Donovan M. Dela Cruz, Chair

Senate Committee on Ways and Means
State Capitol, Conference Room 211 & Videoconference

RE: Senate Bill 2552, SD1, Relating to the Individual Housing Account Program

HEARING: Tuesday, March 3, 2026, at 10:17 a.m.

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 10,000 members. HAR **supports** Senate Bill 2552, SD1, which for taxable years beginning 1/1/2027, increases the maximum annual deduction for contributions to, and maximum account levels for, individual housing accounts. Effective 7/1/2050.

Saving for a downpayment for a home remains a significant challenge for many Hawaii residents seeking to become first-time homeowners. As of January 2026, the median statewide single-family home price is \$1,010,000 and for condominiums it is \$565,000.¹ Based on the median amounts, a 20% downpayment with a conventional loan would be \$202,000 and \$113,000 respectively. Increasing the maximum annual deduction for individual housing accounts would better reflect today's housing prices and help expand access to homeownership for first-time homeowners.

Mahalo for the opportunity to provide testimony on this measure.

¹ Hawai'i REALTORS® from data provided by the MLS. (January 2026). Statewide Housing Trends. <https://www.hawaiirealtors.com/housing-trends>



holomua

COLLABORATIVE

OUR MISSION

To support and advance public policies that make Hawai'i affordable for all working families.

OUR VISION

Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

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Committee: Senate Committee on Ways and Means
Bill Number: SB2552 SD1, Relating to the Individual Housing Account Program
Hearing Date and Time: March 3, 2026, 10:17am, Room 211
Re: Testimony of Holomua Collaborative – Support

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the committee:

Hawai'i continues to face a deep and persistent affordable housing crisis. The median price for a single-family home in our state exceeds \$1,000,000, with condominiums approaching \$650,000—figures that place homeownership far out of reach for many working families. These barriers are not merely economic statistics; they shape real decisions for kama'āina, forcing many to leave our islands in search of attainable housing and eroding the very social fabric that makes Hawai'i home.

SB2552 SD1 proposes to strengthen an existing tool that helps residents save for their first home by updating the Individual Housing Account (IHA) Program to reflect modern housing realities. Under current law, the annual deduction for contributions to an individual housing account is capped at \$5,000 for individuals and \$10,000 for joint filers, with a lifetime cap of \$25,000. These limits have not kept pace with inflation, let alone the dramatic rise in housing costs since the program's inception in the early 1980s. SB2552 SD1 would **increase both the annual maximum deduction and the overall maximum account level** for IHAs for taxable years beginning January 1, 2027, revitalizing and modernizing this incentive to meaningfully help more families save for a down payment and achieve homeownership.

Access to homeownership remains a critical lever in building long-term economic stability and community resilience. For many Hawai'i residents, the challenge of saving enough for a substantial down payment is one of the most prohibitive obstacles to purchasing a home. By enhancing the IHA Program's tax benefit thresholds, this bill helps make it a more effective tool in today's housing market—especially for first-time buyers and working families striving to stay in Hawai'i.

In a state where housing costs continue to outpace wages, expanding opportunities for local residents to save and invest in their future is a prudent policy direction. This measure supports our collective goals of strengthening local homeownership, stabilizing communities, and incentivizing long-term residence in Hawai'i.

For these reasons, we respectfully urge your support for SB2552 SD1.

Sincerely,

Matthew Prellberg
Policy & Communications Director

March 3, 2026

TO: Chair Dela Cruz and Members of the Senate Committee on Ways and Means
RE: SB 2552 SD1, Relating to the Individual Housing Account (IHA) Program

Dear Chair Dela Cruz and Committee Members,

Housing Hawai'i's Future is a nonprofit dedicated to creating opportunities for Hawai'i's next generation by ending the workforce housing shortage.

We strongly support Senate Bill 2552 SD1. This measure will update the IHA program to meet the needs of residents here and now in 2026.

Hawai'i has the lowest rate of homeownership for those 35 and under in the nation. The IHA, established in 1982 to help residents deduct a portion of their pre-tax income for a down payment, needs to be updated to function as a meaningful tool for residents in 2026.

Beginning in January 2027, the IHA program will be brought out of the eighties. This measure increases the maximum annual deduction for contributions and maximum account levels for IHAs. These figures, as updated in this measure, are adjusted to address the inflationary pressures that have made this program dormant for the past two decades.

Through IHAs, SB2552 can help more residents accumulate the necessary funds for down payments and other housing-related expenses.

Let's make this program work for residents. **Please advance SB2552 SD1.**

Thank you,



Lee Wang
Executive Director
Housing Hawai'i's Future
lee@hawaiisfuture.org



Perry Arrasmith
Director of Policy
Housing Hawai'i's Future
perry@hawaiisfuture.org

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March 2, 2026

TO: Honorable Donovan M. Dela Cruz, Chair, and
Members of the Senate Committee on Ways and Means

FROM: Nohelani U'u-Hodgins *Nohelani U'u-Hodgins*
Councilmember

DATE: Tuesday, March 3, 2026
10:17 a.m., Conference Room 211

SUBJECT: **TESTIMONY IN SUPPORT OF SB 2552, SD1, RELATING TO THE
INDIVIDUAL HOUSING ACCOUNT PROGRAM**

Thank you for the opportunity to testify in support of this important measure. The purpose of this measure is to increase the maximum annual deduction for contributions to, and maximum account levels for, individual housing accounts for taxable years beginning 1/1/2027.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

The affordable housing crisis and saving for a down payment remain significant challenges for many Hawai'i residents.

SB 2552, SD 1 updates the IHA program by increasing the maximum annual deduction and lifetime contribution limits to better reflect today's housing market. These changes will strengthen its usefulness and provide more meaningful support to first-time homebuyers who want to remain in Hawai'i.

Mahalo for the opportunity to submit testimony in support of this measure.

**Testimony to the Senate Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair**

**Tuesday, March 3, 2026, at 10:17AM
Conference Room 211 & Videoconference**

RE: SB2552 SD1 Relating to the Individual Housing Account Program

Aloha e Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 2552 Senate Draft 1 (SB2552 SD1), which increases the maximum annual deduction for contributions to, and maximum account levels for, individual housing accounts.

SB2552 SD1 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Economic Action. This bill modernizes a critical tool that helps Hawai'i residents save for homeownership, a central component of addressing the state's persistent affordable housing challenges. Further, this legislation aligns with broader economic goals shared by the state and the Chamber surrounding workforce stability and cost of living.

Hawai'i's high cost of living and limited housing supply make homeownership increasingly out of reach for many working families, young professionals, and essential employees. SB2552 SD1 enhances the IHA program by increasing both how much can be contributed annually and the total account cap. Because the program has not been meaningfully updated for decades, this important resource is severely underutilized. By aligning IHA parameters with current housing prices and economic conditions, taxpayers may engage in meaningful savings that stabilize the labor market and retain local talent. Broadening access to homeownership opportunities helps mitigate workforce displacement, benefits that extend throughout the private sector and the broader economy. The Chamber believes this revision can contribute meaningfully to improving retaining the local workforce by increasing the feasibility of homeownership.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass Senate Bill 2552 Senate Draft 1. Thank you for the opportunity to testify.